

**LAND BOARD AGENDA ITEM**  
**November 19, 2012**

**FINAL APPROVAL FOR LAND BANKING ACQUISITION:  
Milk River Ranch**

<b>Seller:</b>	Aageson Grain and Cattle
<b>Prospective Buyer:</b>	State of Montana, Department of Natural Resources and Conservation
<b>Location:</b>	Approximately 27 miles north of Hingham
<b>Property Characteristics:</b>	Farm and ranch property consisting of 1,513.5± acres. This property is directly adjacent to State trust lands with access to the Milk River. This property is being purchased in conjunction with DFWP's acquisition of the remaining 2,992± acres of the Milk River Ranch.
<b>Recreational Opportunities:</b>	Good upland bird, deer, elk, and antelope hunting opportunities
<b>Access:</b>	Legal access via county roads, adjacent school trust land, and Bureau of Reclamation lands.
<b>Expected Annual Income to Trust Beneficiaries:</b>	\$30,969 without irrigated land, \$32,633 with irrigated lands
<b>Appraised Value/Purchase Price:</b>	\$1,069,226 without irrigated lands \$1,159,083 with irrigated lands.
<b>Proposed Closing Date:</b>	By December 31 <sup>st</sup> , 2012

## FINAL APPROVAL FOR LAND BANKING ACQUISITION Milk River Ranch

### Background

The proposed purchase of the Milk River Ranch in conjunction with the DFWP north of Havre in northern Hill County received preliminary approval from the Board of Land Commissioners (Board) in July, 2012. The DNRC has engaged in evaluation of the property as per Land Banking ARM 36.25.815 of the predominately agricultural component of the property lying south of the Milk River encompassing 1,513.5± acres.

### Selection Considerations and Process

The primary purpose for this land transaction is improve income to the Common School trust beneficiaries through acquisition of productive agricultural land. Acquisition of the property in conjunction with the DFWP will also provide public recreational access to the unique landscape of the Milk River Ranch.

### Agency Recommendation:

The DNRC recommends the Board give final approval for acquisition of the Milk River Ranch, contingent on DFWP receiving final approval and funding for their portion of the purchase, 2,992± acres.

### Due Diligence Property Evaluation Summary

ACQUISITION REPORT	EXPLANATION		
Seller’s Disclosure	No known material defects in the property		
Annual Rate of Return over 20 years	<u>TRUST</u> Common Schools	<u>NPV</u> \$483,800.00	<u>ROR</u> 2.88%
Average Annual Rate of Return of Property Sold	<u>TRUST</u> Common Schools	<u>NPV</u> \$132,135.00	<u>ROR</u> 0.79%
Annual Income	Dryland Agriculture – 921 acres @\$31 per acre = 28,554  Grazing land – 535 acres @ \$16 per AUM = \$2,568  CRP land – 57.4 acres @ \$15 per acre = 861  Total gross income - \$31,983 without irrigation  Irrigated agriculture – 87.60 acres @ \$50 per acre = 4,380  Reduce dryland acreage by 87.60 acres.  Total gross income with irrigation - \$33,647		

<b>Classification of Property</b>	Agriculture and Grazing
<b>Soils/Range</b>	Upland soils in this unit are silty, clayey loams and used as agland. They are nicely suited for farming and are class III with some class IV soils. Slopes are predominately 0 – 8 %. Telstad, Hillon, Nishon Cabbart, and Joplin loams make up approximately 45% of the unit. The bottomland soils make up a small portion of the unit and mostly clayey. These areas are coulee bottoms with grazing being the only practical use due to limitations. These soils have capability classes from class IV to class VII. There are some shallow Badlands that provide marginal grazing. These slopes are more than 60%.
<b>Vegetation</b>	The upland areas support a potential plant community consisting of western wheatgrass, needle and thread, and blue gramma. CRP property to be acquired is primarily Crested Wheatgrass and Alfalfa. The shallow site area (badlands and bottomland) supports a potential plant community consisting of western wheatgrass, green needlegrass and needleandthread grass.
<b>Range Condition</b>	Good. The Milk River Ranch holds a number of state leases and is a good grass manager.
<b>Weeds</b>	None were identified in a preliminary inspection.
<b>Timber Cruises</b>	No commercial timber exists on the property.
<b>Water</b>	There is limited water on the tracts to be acquired by DNRC. Some pits have been constructed for stock water. The acquisition lands are directly adjacent to existing trust lands with access to the Milk River.
<b>Water Rights</b>	Two stock water rights; 40F-158181-00, and 40F-158183-00, will transfer with lands received by DNRC. Water right 40F 16134600 provides water to an existing irrigation pivot in Section 8. There are questions regarding this water right which require remedy prior to the DNRC accepting an irrigated land value for the 87.61 acres.
<b>Wildlife (T&amp;E)</b>	Good upland game bird and deer hunting opportunity. No T&E species are know to occur on site.
<b>Fisheries</b>	None

<b>Wetlands/Flood Plain</b>	None
<b>Riparian Characteristics</b>	This is a very arid location. There are some very small riparian areas near intermittent springs.
<b>Cultural Values</b>	Cultural and Paleontological exist on the property but are retained by the current owners through deed reservations.
<b>Mineral Characteristics</b>	The parcel is in an area of old (1970's) oil and gas exploration but no current development exists on the property or adjoining state land.
<b>Aesthetic Values</b>	The property has the typical characteristics of a prairie stream bottom with remnant cottonwood stands providing for a scenic area. There are many great views into the "Lost River", the Sweet Grass Hills and the grasslands of Canada.
<b>Recreational Use</b>	Good upland game bird hunting, deer, elk, and antelope hunting.
<b>Zoning</b>	None
<b>Planning</b>	None
<b>Surrounding Land Use</b>	The surrounding land uses are almost exclusively Dryland Farming, and Livestock Grazing.
<b>Potential for Multiple Use</b>	The primary use of the property is farming for the production of small grains and livestock grazing. The property receives recreational use during hunting season. The acquisition will greatly consolidate state trust land holdings, providing excellent recreational opportunities. There is some potential for mineral development.
<b>Access to Parcel</b>	County roads provide access to all areas of the parcel. Adjoining State Land and Bureau of Reclamation provide walk in access from all sides.
<b>Infrastructure</b>	Electrical power and communications lines run either through or nearby the parcels.
<b>Adjacent Public Lands</b>	A little more than 3,000 acres of state school trust land are directly adjacent to the project area. Bureau of Reclamation lands are also adjacent. These provide uninterrupted access on both sides of the Milk River for almost thirty miles. The ranch is adjacent to

	the Canadian border with hundreds of thousands of undeveloped land in Canada.
<b>Adjacent Conservation Easements</b>	No adjacent lands with Conservation Easements
<b>Appraised Value</b>	\$1,069,226 without irrigated lands \$1,159,083 with irrigated lands
<b>Purchase Price</b>	\$1,069,226 without irrigated lands \$1,159,083 with irrigated lands
<b>Summary of Title report</b>	The State has reviewed a preliminary title commitment. The Seller warrants the title shall be good, marketable and insurable subject to the exceptions approved by the State.
<b>Summary Phase 1 Site Analysis</b>	No environmental concerns were identified
<b>Notification to Commissioners and Adjacent Land Owners</b>	Completed, no comments received to date.
<b>Comments Received During Public Involvement Process</b>	None, it is anticipated that most public comment will be focused on the DFWP portion of the property acquisition.